

CITY OF OAKLAND



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Revenue Management Bureau (510) 238-3084

December 10, 2021

IMPORTANT NOTIFICATION 2022 CANNABIS BUSINESS TAX RENEWAL NOTICE

OFFICE VISITS ARE BY APPOINTMENT ONLY DUE TO COVID-19

Please review this notice carefully as it outlines the requirements for your filing and paying the City of Oakland 2022 Cannabis Business Tax, and, if applicable, your 2021 Cannabis Business Tax. **Business Tax payment is required to maintain any local authorization or permit from the City of Oakland for cannabis activities.**

CANNABIS BUSINESS TAX RATES SCHEDULE

On December 10, 2019, the Oakland City Council adopted Ordinance No. 13573 C.M.S. amending the Oakland Municipal Code (“OMC”) Title 5, Chapter 5.04, Sections 5.04.480 and 5.04.481 to create a tiered and category-based tax structure for cannabis businesses. The new tiered and category-based tax structure for 2022 Tax Year, and if applicable, for a business newly established in calendar year 2021, is as follows:

2022 & After Cannabis Business Tax Rates					
	Retail (store-front & delivery)	Indoor Cultivation	Outdoor Cultivation	Manufacturing Packaging & Storage	Distribution
Equity					
\$0 - \$1.5M	0.12%	0.12%	0.12%	0.12%	0.12%
\$1.5M - \$5M	5.00%	5.00%	4.50%	4.50%	3.00%
Over \$5M	5.00%	5.00%	5.00%	5.00%	4.00%
General (Non-Equity)					
\$0 - \$750K	0.12%	0.12%	0.12%	0.12%	0.12%
\$750K+ - \$1.5M	4.00%	4.00%	3.50%	3.50%	2.50%
\$1.5M+ = \$5M	4.00%	4.00%	4.50%	4.50%	3.00%
Over \$5M	5.00% (Non-Marginal)	5.00% (Non-Marginal)	5.00%	5.00%	4.00%

CANNABIS BUSINESS TAX REBATE PROGRAMS

In addition to the new tiered and category-based tax structure, the City Council also adopted four different tax rebate programs totaling nine separate and distinct conditions upon which a cannabis business would be entitled to the rebate of a portion of the taxes paid for 2022 Tax Year and, if applicable, 2021 Tax Year for a business newly established in calendar year 2021 if the business meets the required conditions. The rebate programs are as follows:

2022 CANNABIS BUSINESS TAX REBATE PROGRAMS			
Rebate Program	Rebate Conditions	Qualifying Period	Rebate Amount
Local Hiring Rebate (5.04.481.B.2.a.)	I. 30% of workforce consists of "Equity Employees"	182 Days	0.50%
	II. 25% of workforce consists of Equity Employees in "Essential Roles"	182 Days	0.50%
	III. 20% of workforce consists of Equity Employees in "Managerial Roles"	182 Days	0.50%
Equity Supply Chain (5.04.481.B.2.b.)	I. 30% of value of cannabis products delivered to the business were delivered by an Equity Business	365 Days	0.50%
	II. 25% of value of cannabis products delivered to the business was originally cultivated or manufactured by an Equity Business	365 Days	0.50%
Workforce Quality of Life (5.04.481.B.2.c.)	I. \$20/hr. with health benefits <u>or</u> \$25/hr. without health benefits for all employees employed	365 Days	0.50%
	II. 80% of total employees are full-time employees	365 Days	0.25%
Incubation (5.04.481.B.2.d.)	I. Provide free rent to Equity Business beyond the initial three-year period	Year 4th	0.5% - 1.50%*
	II. Provide free rent to Equity Business in the tax year but does not seek "permitting priority"	365 Days	0.5% - 1.50%*
	* Incubation Rebate Amount is based on 2021 total gross receipts: Less than \$2M = 1.5%; Up to \$7.5M = 1%; Greater than \$7.5M but less than \$12.5M = 0.5%; Greater than \$12.5M = no rebate.		
IMPORTANT NOTE: In no case will a business be entitled to any rebates that would reduce the overall tax rate of less than 2.5% for 2022 Tax Year or 2021 Tax Year for those cannabis businesses established in 2021; In other words, a cannabis business would be subject to pay the floor/minimum tax rate of 2.5% regardless of the number or the amount of the tax rebates.			

Form of Rebate: Any cannabis business entitled to rebates may elect to be paid by check or to be paid in the form of a credit for any future business taxes owed. If the business elected for the rebates to be paid by check, the City shall make such payment to any business entitled to a rebate within sixty (60) days of the business submitting all documentation requested.

CANNABIS BUSINESS TAX RENEWAL FILING AND PAYMENT DUE DATE

Oakland Municipal Code Sections 5.04.110 and 5.04.120 outline the requirements for the payment of Business Tax and the annual renewal payment thereof as follows:

Businesses established **BEFORE** 2021:

- Choose either the “Form 2022, Equity Cannabis Business” or “Form 2022, General (Non-Equity) Cannabis Business” (see Cannabis Business Tax Declaration Forms below for additional information)
- Complete the appropriate sections for 2022 Tax Year
- Mail the completed declaration **and** payment by **March 1, 2022** to avoid mandatory penalties, interest and fees

Businesses established **IN** 2021:

- Choose either the “Form 2022, Equity Cannabis Business” or “Form 2022, General (Non-Equity) Cannabis Business” (see Cannabis Business Tax Declaration Forms below for additional information)
- Complete the appropriate sections for 2022 **and** 2021 Tax Years
 - For 2021 Tax Year: Line 14 in the “Form 2022, Equity Cannabis Business” or Line 17 in the “Form 2022, General (Non-Equity) Cannabis Business” should be the actual gross receipts generated in 2021
 - For 2022 Tax Year: Line 14 in the “Form 2022, Equity Cannabis Business” or Line 17 in the “Form 2022, General (Non-Equity) Cannabis Business” should be the estimated gross receipts to be generated in 2022
- Mail the completed declaration by **March 1, 2022**.
- Expect to receive an invoice no later than March 31, 2022
- Pay the invoice by the due date to avoid mandatory penalties, interest and fees

CANNABIS BUSINESS TAX DECLARATION FORMS

The form number is located at the top right-hand corner of the form.

Form 2022, General (Non-Equity) Cannabis Business: Applicable to cannabis businesses not certified as equity business.

Form 2022, Equity Cannabis Business: Applicable to Equity Cannabis Businesses Only. To be eligible for the Equity-only tax rate, Equity Cannabis Business must have already submitted a completed application and received a confirmation email from the City Administrator’s Office of Cannabis Permits (see enclosed Sample Equity Cannabis Confirmation Email). A copy of confirmation email must accompany the Declaration form to receive the Equity-Only tax rate.

Oakland Municipal Code Sections 5.80 and 5.81 define an “Equity Business” whose ownership or owner:

- is an Oakland resident; and,
- in the last year, had an annual income at or less than 80 percent of Oakland Average Medium Income, which is to be adjusted for household size; and,
- either has lived in any combination of Oakland’s Police Beat 2X, 2Y, 6X, 7X, 19X, 21X, 216, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, 5X, 8X AND 35X for at least 10 of the last 20 years or was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland.

CALCULATION OF CANNABIS BUSINESS TAXES

Marginal vs. Non-Marginal Tax Rates:

Generally, marginal tax rate applies different tax rate at different level of gross receipts while non-marginal tax rate applies the tax rate to the entire amount of gross receipts.

The adopted 2022 Cannabis Business Tax Rates are marginal tax rates. The non-marginal tax rates apply only to those General (Non-Equity) cannabis businesses engaging in the sale of cannabis (store-front retail/delivery) or indoor cultivation of cannabis and generated more than \$5M in total gross receipts in 2021 or estimated to generate more than \$5M in total gross receipts in 2022.

VERTICALLY INTEGRATED CANNABIS BUSINESSES

A “Vertically Integrated Cannabis Business” is a business that generates gross receipts from more than one taxable activities or operations, such as those that are licensed as a Microbusiness from the California Cannabis Bureau of Control.

The applicable tax rate is the tax rate that produces the highest amount of the taxes owed based on the total gross receipts generated by the business without respect to the portion of gross receipts generated from any particular taxable activity (OMC § 5.04.480.C).

SUMMARY

The following is a matrix summarizing the above-mentioned requirements and the timeline upon which cannabis businesses need to timely report and/or pay the taxes in order to retain the local authorization for state licenses.

The Year in which the business established	Tax Years Needed to Pay	What to do by March 1, 2021	When to Pay
Before 2021	2022	Declare 2021 Gross Receipts	March 1, 2022
In 2021	2021 and 2022	Declare 2021 Gross Receipts and Estimated 2022 Gross Receipts	10 Days upon invoiced

CANNABIS BUSINESS TAX PAYMENT PLAN

Payment plans will continue to be provided for those with the 2022 tax obligation in excess of \$25,000. The maximum number of payments will remain at 10 equal payments, with the first payment begins in April 2022 and ends in January 2023 with the final payment.

Cannabis businesses with active payment plans are required to continue making payment as required.

DEDUCTIBLE COSTS

Cannabis businesses engaging in cultivation and manufacturing operations can deduct the cost of raw materials from the gross receipts. The costs of raw materials are for any materials, excluding pre-packaging or finished products, used in the cultivation and/or the manufacturing process of cannabis. No other costs can be deducted.

APPORTIONMENT GUIDELINES

Taxpayers who are engaged in business activities within and outside the city may be entitled to apportionment of gross receipts. Gross receipts are subject to apportionment only when the taxpayer can document that the gross receipts are attributed to substantial out-of-city activities. It is the responsibility of the taxpayer to request in writing for an apportionment of the gross receipts and provide the necessary documentation to support out-of-city activities. Otherwise, no apportionment and/or exclusion will be allowed.

OMC Section 5.04.520 gives the Director of Finance the authority to adopt and promulgate rules and regulations pertaining to the collection of the Oakland Business Tax and the enforcement of the provisions of the Business Tax Ordinance.

For Apportionment Guideline that applies to cannabis businesses, please visit <https://cao-94612.s3.amazonaws.com/documents/ruling10.pdf> for information. If apportionment is claimed, please attach a separate sheet detailing 1) the total gross receipts; 2) the amount of gross receipts apportioned from the total gross receipts; 3) the local jurisdiction(s) in which the business activities occur; and 4) the applicable business license number or business tax certificate number issued from the local jurisdiction(s) from which your company engages in the business.

PRIOR UNPAID TAXES

Businesses with prior unpaid taxes should contact the Finance Department to make arrangement for the payment of unpaid taxes to avoid the possibility of having the City's permit and local authorization for state license(s) revoked, assessment of taxes and charges that could be substantial and possible legal action.

QUESTIONS

If you need to make an appointment, require assistance in the calculation of the tax or have questions, please contact the Finance Department – Revenue Audit Unit at (510) 238-3084 or at Audit@OaklandCA.gov.

As always, the City of Oakland values its business relationship with and looks forward to working with you to ensure your timely filing and paying the Business Tax to retain the local authorization for your state license.

Encl.

City of Oakland 2022 Cannabis Business Tax Declaration Forms
Sample Equity Cannabis Confirmation Email



CITY OF OAKLAND – 2021 / 2022 CANNABIS BUSINESS TAX DECLARATION

DELINQUENT IF PAID (unless extended) or POSTMARKED AFTER MARCH 1, 2022

FOR BUSINESS STARTED BEFORE 2021, COMPLETE SECTIONS I, II AND IV. FOR BUSINESS STARTED IN 2021, COMPLETE SECTIONS I, III AND IV.**SECTION I – BUSINESS INFORMATION**

1. Business Tax No.: _____ 3. Business Name: _____
2. Mailing Address: _____ 4a. Business Location: _____
- 4b. Business Type: _____ (R=Retail; IC=Indoor Cultivation; OC=Outdoor Cultivation; M=Manufacturing; D=Distribution; V=Vertically Integrated)
- 4c. Numbers of employees: Full time: _____ Part Time: _____ Total (full time + part time): _____
- 4d. Business Closure or Sold: Enter the date the business closed or sold: Month _____ Day _____ Year _____

Entering the date of business closure or sold in 4.d does not relieve you of liability of any unpaid taxes, fees, or charges incurred for the period you were actively engaged in business. Please complete appropriate Sections that apply to your business.

SECTION II – BUSINESS STARTED BEFORE 2021**PLEASE REVIEW ATTACHED NOTIFICATION FOR INSTRUCTIONS****2022 TAX YEAR**

5	TOTAL GROSS RECEIPTS GENERATED IN 2021 Note: For R, IC, and V that generated more than \$5,000,000; skip to Line 13	\$
FOR FIRST \$750,000		
6	<ul style="list-style-type: none"> If Line 5 is less than \$50,000; <i>enter \$60</i>, then skip to Line 14 If Line 5 is more than \$50,000 but less than \$750,000; multiply Line 5 by 0.0012, then skip to Line 14 If Line 5 is equal to \$750,000; <i>enter \$900</i>, then skip to Line 14 If Line 5 is more than \$750,000; <i>enter \$900</i> and proceed to Line 7 	\$
AMOUNT OVER \$750,000		
7	Methodology: If Line 5 is more than \$750,000 but less than \$1,500,000; subtract \$750,000 from Line 5, <i>enter the remaining in dollar amount</i> , use Line 8 to calculate tax due Methodology: If Line 5 is more than \$1,500,000; <i>enter \$750,000</i> and complete Line 8, then proceed to Line 9	\$
8	TAX DUE [Multiply Line 7 x the tax rate (see below for 2022 Tax Rates for business type shown on Line 4b)]	\$
AMOUNT OVER \$1,500,000		
9	Methodology: If Line 5 is more than \$1,500,000 but less than \$5,000,000; subtract \$1,500,000 from Line 5, <i>enter the remaining in dollar amount</i> , use Line 10 to calculate tax due Methodology: If Line 5 is more than \$5,000,000; <i>enter \$3,500,000</i> and complete Line 10, then proceed to Line 11	\$
10	TAX DUE [Multiply Line 9 x the tax rate (see below for 2022 Tax Rates for business type shown on Line 4b)]	\$
AMOUNT OVER \$5,000,000 FOR OC, M, D ONLY. COMPLETE LINE 11		
11	Methodology: Subtract \$5,000,000 from Line 5, <i>enter the remaining dollar amount</i> , use Line 12 to calculate tax due	\$
12	TAX DUE [Multiply Line 11 x the tax rate (see below for 2022 Tax Rates for business type shown on Line 4b)], then skip to Line 14	\$
FOR R, IC, AND V GENERATING MORE THAN \$5,000,000. COMPLETE LINE 13		
13	TAX DUE (Multiply Line 5 x 0.050), Non-Marginal Tax Rate	\$
14	RECORDATION/TECHNOLOGY FEE & STATE DISABILITY ACCESS & EDUCATION FEE	\$ 7.00
15	MEASURE FF, MINIMUM WAGE & LABOR STANDARDS ENFORCEMENT FEE (\$5 per employee) Multiply the Total on Line 4c by 5	\$
16	TOTAL AMOUNT DUE (Add Lines 6 through 15)	\$

2022 Tax Rates**Equity Cannabis****General (Non-Equity) Cannabis**

	Retail (store-front & delivery)	Indoor Cultivation	Outdoor Cultivation	Manufacturing Packaging & Storage	Distribution		Retail (store-front & delivery)	Indoor Cultivation	Outdoor Cultivation	Manufacturing Packaging & Storage	Distribution
Business Type	R	IC	OC	M	D	Business Type	R	IC	OC	M	D
\$0 - \$1.5M	0.12%	0.12%	0.12%	0.12%	0.12%	\$0 - \$750K	0.12%	0.12%	0.12%	0.12%	0.12%
\$1.5M+ - \$5M	5.00%	5.00%	4.50%	4.50%	3.00%	\$750K+ - \$1.5M	4.00%	4.00%	3.50%	3.50%	2.50%
						\$1.5M+ - \$5M	4.00%	4.00%	4.50%	4.50%	3.00%
Over \$5M	5.00%	5.00%	5.00%	5.00%	4.00%	Over \$5M	5.00% (Non-Marginal)	5.00% (Non-Marginal)	5.00%	5.00%	4.00%

SECTION III – BUSINESS STARTED IN 2021**PLEASE REVIEW ATTACHED NOTIFICATION FOR INSTRUCTIONS****2021 TAX YEAR**

(ACTUAL GROSS RECEIPTS IN 2021)

2022 TAX YEAR

(ESTIMATED GROSS RECEIPTS FOR 2022)

17	TOTAL GROSS RECEIPTS	\$	\$
18	TOTAL AMOUNT DUE	TO BE INVOICED	

SECTION IV – SIGNATURE

I hereby declare, under penalty of perjury, that the information contained herein is to the best of my knowledge, true and complete.

Print Name	Title	Signature	Date
Phone Number:	Email Address:		



CITY OF OAKLAND

CITY OF OAKLAND – 2021 / 2022 CANNABIS BUSINESS TAX DECLARATION

DELINQUENT IF PAID (unless extended) or POSTMARKED AFTER MARCH 1, 2022

Attach Equity Cannabis Business confirmation email to qualify

FOR BUSINESS STARTED BEFORE 2021, COMPLETE SECTIONS I, II AND IV. FOR BUSINESS STARTED IN 2021, COMPLETE SECTIONS I, III AND IV.

SECTION I – BUSINESS INFORMATION

- 1. Business Tax No.:
2. Mailing Address:
3. Business Name:
4a. Business Location:
4b. Business Type:
4c. Numbers of employees:
4d. Business Closure or Sold:

Entering the date of business closure or sold in 4.d does not relieve you of liability of any unpaid taxes, fees, or charges incurred for the period you were actively engaged in business.

SECTION II – BUSINESS STARTED BEFORE 2021

PLEASE REVIEW ATTACHED NOTIFICATION FOR INSTRUCTIONS

Note: Businesses that generate more than \$5,000,000, complete every step from Line 5 to Line 13

2022 TAX YEAR

Table with 2 columns: Line Number, Description, and Amount. Includes lines 5 through 13 for tax calculation.

2022 Tax Rates

Table with 2 main sections: Equity Cannabis and General (Non-Equity) Cannabis. Each section has columns for Business Type and tax rates.

SECTION III – BUSINESS STARTED IN 2021

PLEASE REVIEW ATTACHED NOTIFICATION FOR INSTRUCTIONS

2021 TAX YEAR

(ACTUAL GROSS RECEIPTS IN 2021)

2022 TAX YEAR

(ESTIMATED GROSS RECEIPTS FOR 2022)

Table with 3 columns: Line Number, Description, and Amount for 2021 and 2022.

SECTION IV – SIGNATURE

I hereby declare, under penalty of perjury, that the information contained herein is to the best of my knowledge, true and complete.

Table for signature information with columns: Print Name, Title, Signature, Date, Phone Number, Email Address.

SAMPLE EQUITY CANNABIS CONFIRMATION EMAIL

EQUITY APPLICANT: XXX

ADDRESS: XXX

APPLICATION FILED UNDER: XXX DBA: XXX

Thank you for submitting your cannabis permit application and supporting documents. This email is to confirm that your eligibility as an equity applicant has been reviewed and verified.

As you may be aware, equity applicants are exempt from city permitting fees under OMC 5.80.045(C) and 5.81.060(C).

To avoid paying any building or fire department fees, the equity qualified individual must present this email confirming your equity status along with an ID to the Building/Fire Prevention cashiering staff when you apply/request any Building or Trade permits or inspections.

Alternatively, the equity qualified individual may identify an authorized representative to act on their behalf by completing the attached "Letter of Agency" form and having it notarized. The representative must present this authorization form along with this email to staff to avoid paying City fees. This will help minimize confusion and ensure our limited city resources are spent per the policies determined by our council.

Please note this fee exemption does not apply to general applicants, including those incubating equity applicants. If the equity applicant is operating at the same property as their general applicant incubator, the equity applicant must provide a floor plan which distinguishes the equity applicant's space from the general applicant's space.